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**DeNUCCI QUESTIONS BIDDING, SPENDING
AND BUDGET PRACTICES IN EVERETT PUBLIC SCHOOLS**

State Auditor Joe DeNucci today issued a comprehensive 87-page report disclosing inadequate controls over expenses and grants, mismanagement of funds, and questionable bidding and personnel practices in the Everett public school system.

DeNucci's in-depth report, conducted at the request of the City of Everett, examined activities in the public schools during fiscal years 2003 and 2004. The Everett public school system enrolls approximately 5,300 students and has annual expenditures totaling \$53 million.

Findings in DeNucci's audit include:

- Inadequate controls over maintenance expenses resulting in \$520,250 in questionable expenditures, including 30 bids that were questionable or not authentic. (For example, one firm that was listed as submitting a bid during 2002 had been out of business since 1997.) Also, the audit disclosed that \$171,465 worth of bids were split in order to circumvent competitive bidding requirements.
- A flawed budgetary process that resulted in a total of \$1.2 million in overspending over a period of four years ending with fiscal year 2004.
- Despite a state law allowing layoffs only in cases of declining enrollments or budget shortfalls, the school system routinely lays off 200 staff (including 160 teachers) at the end of each school year whether warranted or not. The vast majority are rehired at the start of the next school year.
- \$59,000 in tutoring expenditures that went for purposes other than tutoring.
- The use of 50 unlicensed teachers, the use of "permanent substitutes" over a period of years without obtaining required Department of Education (DOE) waivers, and the misreporting of the number of licensed teachers to DOE.
- The misuse of more than \$830,000 in grant funds intended to supplement services. For example, grant funds intended to hire new teachers were instead used to pay the salaries of existing teachers. Also, time and attendance records for more than \$2.4 million in grant salary expenses were not documented as required by federal regulations.

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- Inadequate controls over the authorization and payment of expenses. For example, the public schools purchased \$259,333 in goods and services before getting approval from the city purchasing department as required by city ordinances.
- The expenditure of city money through the Shore Educational Collaborative, which provides special education services to Everett and nine other school districts, without processing these expenses through the City Auditor and City Treasurer.

DeNucci said that as a result of the findings in his report, the Everett public school system should take steps to ensure that its financial practices are in accordance with all applicable state laws and city ordinances.

“This audit clearly shows there are serious problems that need to be addressed in the Everett school system,” said DeNucci. “I hope my report will lead to corrective action by the city and the school system to ensure that all funds are spent for the educational purposes intended and for the benefit of the students of the City of Everett.”